

**CENTRAL LYON COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2008**

EAST, VANDER WOUDE, GRANT & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
707 West 11th Street
Sioux Falls, SD 57104

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CENTRAL LYON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Board of Education (Before September 2007 Election)		
Steve Sieperda	President	2008
Patrick McCarty	Vice President	2008
Chet DeJong	Board Member	2009
Gail VanBerkum	Board Member	2009
Judy Gacke	Board Member	2007
Board of Education (After September 2007 Election)		
Steve Sieperda	President	2008
Chet DeJong	Vice President	2009
Patrick McCarty	Board Member	2008
Gail VanBerkum	Board Member	2009
Judy Gacke	Board Member	2011
School Officials		
Dave Ackerman	Superintendent	Indefinite
Jackie Wells	District Secretary/Treasurer and Business Manager	Indefinite
Randy Waagmeester	Attorney	Indefinite

EAST, VANDER WOUDE, GRANT & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Board of Education of the
Central Lyon Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Central Lyon Community School District, Rock Rapids, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Central Lyon Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated November 24, 2008 on our consideration of Central Lyon Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 14 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Lyon Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2007 (which is not presented herein) and expressed unqualified opinions on that financial statement. The previous audits for June 30, 2006 and 2005 were not done by this office, but were in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole

East, Vander Woude, Grant & Co, P C

East, Vander Woude, Grant & Co , P C.

November 24, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Central Lyon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- General Fund revenues increased from \$5,939,188 in fiscal year 2007 to \$6,142,659 in fiscal year 2008, while General Fund expenditures increased from \$5,407,515 in fiscal year 2007 to \$5,852,021 in fiscal 2008. The District's General Fund balance increased from \$1,155,844 in fiscal 2007 to \$1,446,482 in fiscal 2008, a 25.1% increase. Spending Authority has been carefully monitored in the last nine years and this must be continued for the future financial health of the district.
- The increase in General Fund revenues was attributable to an increase in local and state revenue in fiscal 2008. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance has increased is expenditures have been carefully monitored during the year.
- A decrease in interest rates and less money in investments for the year resulted in lower interest earnings in the General Fund alone decreasing from \$133,923 in fiscal year 2007 to \$72,853 in fiscal year 2008.
- Enrollment declines and increased numbers of open enrolled out pupils continue to plague the District and create financial burdens.

Overview of the Financial Statements

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial status.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Central Lyon Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Central Lyon Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basis financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison to the District's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

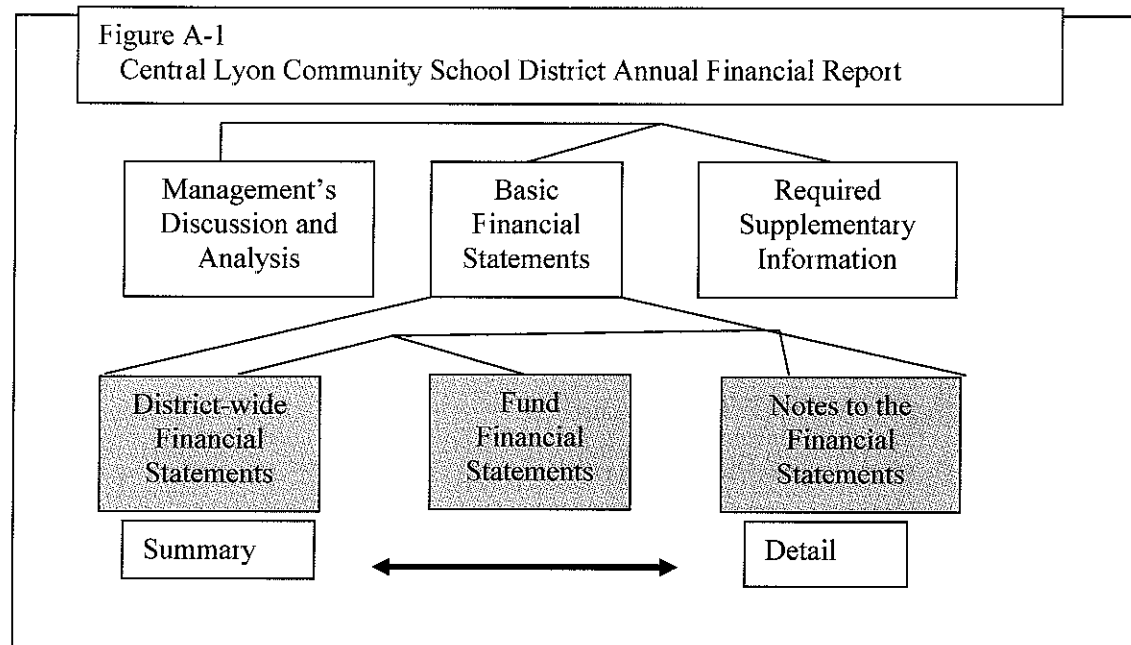


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2: Major Features of the District Wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds		Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance		Activities the district operates similar to private businesses: food services is included here
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 		<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus		Accrual accounting and economic resources focus
Type of asset /liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included		All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow /outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter		All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the District's overall health, additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to repay its long-term debts, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balance.

Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-

wide financial statements. The District's Enterprise Funds, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and FFA Property Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)								
	Governmental Activities		Business type Activities		Total Activities		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2008	2007	2008	2007	2008	2007	2007-2008	
Current and other assets	\$ 5,889	\$ 5,622	\$ 91	\$ 58	\$ 5,980	\$ 5,680	300	5.28%
Capital assets	9,772	9,712	100	101	9,872	9,813	59	0.60%
Total assets	15,661	15,334	191	159	15,852	15,493	359	5.88%
Long-term Liabilities	2,955	3,348	-	-	2,955	3,348	(393)	(11.74%)
Other Liabilities	3,280	3,157	4	7	3,284	3,164	120	3.79%
Total Liabilities	6,235	6,505	4	7	6,239	6,512	(273)	(7.95%)
Net Assets								
Invested in capital assets, net of related debt	6,876	6,370	80	80	6,956	6,450	506	7.84%
Restricted	1,102	1,310	-	-	1,102	1,310	(208)	(15.88%)
Unrestricted	1,448	1,149	107	72	1,555	1,221	334	27.35%
Total net assets	\$ 9,426	\$ 8,829	\$ 187	\$ 152	\$ 9,613	\$ 8,981	632	19.32%

The District's combined net assets increased by approximately \$632,000 over the prior year. The largest portion of the District's net assets is invested in capital assets less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$208,000 or 15.88% over the prior year. The decrease was primarily a result of increased Local Option Sales and Services Tax revenues being used for debt payments and purchase of a new bus and new track construction project.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or the legal requirements – increased approximately \$334,000 or 27.35%. This increase in unrestricted net assets was a result of the District's efforts in controlling the expenditures and increased revenue in several areas.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008.

Figure A-4 Changes in Net Assets (Expressed in Thousands)								
	Governmental Activities		Business-type Activities		Total School District		Total Change	
	2008	2007	2008	2007	2008	2007	2007-2008	
Revenue								
Program revenue:								
Charges for service	\$ 683	\$ 713	\$ 236	\$ 217	\$ 919	\$ 930	(1 183%)	
Operating grants, contributions and restricted interest	808	727	166	104	974	831	17 208%	
Capital grants, contributions and restricted interest	32	73	-	-	32	73	(56 164%)	
General revenues:								
Property tax	2,639	2,668	-	-	2,639	2,668	(1 087%)	
Local option sales and service tax	406	505	-	-	406	505	(19 604%)	
Unrestricted state grants	2,758	2,647	4	4	2,762	2,651	4 187%	
Other	216	165	-	13	216	178	21 348%	
Total revenues	7,542	7,498	406	338	7,948	7,836	1 429%	
Program expenses:								
Governmental activities:								
Instruction	4,838	4,460	-	-	4,838	4,460	8 475%	
Support service	1,714	1,664	-	-	1,714	1,664	3 005%	
Non-instructional programs	-	-	371	292	371	292	27 055%	
Other expenses	393	346	-	-	393	346	13 584%	
Total expenses	6,945	6,470	371	292	7,316	6,762	8 193%	
Change in net assets	\$ 597	\$ 1,028	\$ 35	\$ 46	\$ 632	\$ 1,074	(41 155%)	

In fiscal 2008, property tax and unrestricted state grants account for 71.55% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99% of the revenue from business type activities.

The District's total revenues were approximately \$7,948 million of which \$7,542 million was for governmental activities and .406 million was for business type activities.

As shown in Figure A-4, the District's as a whole experienced a 1.429% increase in revenues and an 8.19% increase in expenses. Local option sales and service tax decreased approximately \$99,000 and unrestricted state grants increased approximately \$111,000. The increases in expenses related to increases in the negotiated salary and benefits as well as increases in expenses for capital improvements by the District.

Governmental Activities

Revenues for governmental activities were \$7,541,382 and expenses were \$6,953,959. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007- 2008	2008	2007	Change 2007- 2008
Instruction	\$ 4,838	\$ 4,460	8.48%	\$ 3,685	\$ 3,439	7.15%
Support services	1,714	1,664	3.00%	1,629	1,583	2.91%
Non-instructional programs	-	-	0.00%	-	-	0.00%
Other expenses	393	346	13.58%	107	54	98.15%
Totals	\$ 6,945	\$ 6,470	7.34%	\$ 5,421	\$ 5,076	6.80%

- The cost financed by users of the District's programs was \$683,405.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$839,993.
- The net cost of governmental activities was financed with \$3,044,519 in property and other taxes and \$2,757,534 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$405,443 representing a 19.8 % increase over the prior year while expenses totaled \$370,659, a 26.79% increase over the prior year. The District's business type activities include the School Nutrition Fund and FFA Property. Revenue of these activities was comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Central Lyon Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,616,409, above last year's ending fund balances of \$2,474,354. However, the primary reason for the increase in combined fund balances in fiscal 2008 is due to the increases in state sources.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. Also spending was carefully monitoring during the last year. The General Fund increased from \$1,155,844 to \$1,446,482.
- The Debt Service Fund balance increased from \$48,017 in fiscal 2007 to \$49,884 in fiscal 2008. While property tax revenues decreased from the prior year, the District increased the transfers in from local option sales and services taxes and physical plant and equipment to pay the debt service payments due during the year.
- The Capital Projects Fund balance decreased from \$862,870 in 2007 to \$729,121 in 2008. This was mainly due to less local option sales taxes collected during the fiscal year 2008 and increases in the amount transferred to debt service fund to make debt service payments.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$137,732 at June 30, 2007 to \$152,973 at June 30, 2008, representing an increase of approximately 11%. For fiscal 2008, the District increased meal prices and decreased expenditures resulting in the increase in net assets.

BUDGETARY HIGHLIGHTS

The District's receipts were \$305,301 more than budgeted receipts, with a variance of 3.995%. The most significant variance resulted from the District receiving more revenue than budgeted for in instructional support and miscellaneous income.

Total expenditures were \$423,399 less than budgeted, due primarily to the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget normally should exceed the actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs and other expenditures functional area due to the debt service payments and property, plant and equipment expenditures during the year which were not budgeted for in the current year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$9.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 0.61% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$329,550.

The original cost of the District's capital assets was \$14.93 million. Governmental funds account for \$14.76 million, with the remainder of \$0.17 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the Land Improvements, Furniture and Equipment categories. The District purchased additional computers and other equipment as well as a new vehicle and land improvements.

Figure A-6							
Capital Assets, net of Depreciation							
(expressed in thousands)							
	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-2008
Land	\$ 51	\$ 51	\$ -	\$ -	\$ 51	\$ 51	0.00%
Buildings	8,190	8,422	-	-	8,190	8,422	(2.75%)
Improvements other than buildings	370	268	-	-	370	268	38.06%
Furniture and Equipment	1,161	970	100	101	1,261	1,071	17.74%
Totals	\$ 9,772	\$ 9,711	\$ 100	\$ 101	\$ 9,872	\$ 9,812	0.61%

Long-Term Debt

At June 30, 2008, the District had \$3,003,406 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 11.2% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

The district had total outstanding bonded indebtedness of \$2,875,000; notes payable of \$21,387; early retirement of \$87,206; and compensated absences of \$19,813 at June 30, 2008.

Figure A-7 Outstanding Long-Term Obligations (Expressed in Thousands)			
	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-2008
General Obligation Bonds	\$ 2,390	\$ 2,725	(12.29%)
Capital Notes	485	575	(15.65%)
Notes Payable	21	42	100.00%
Early Retirement	87	22	295.45%
Compensated Absences	20	18	11.11%
	<u>\$ 3,003</u>	<u>\$ 3,382</u>	<u>(11.21%)</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of two existing circumstances that could significantly affect its financial health in the future:

- The financial history of the State of Iowa's support for public K-12 schools has translated into restricted levels of state aid funding for education at the local level. Future needs of the district will continue to grow and it is hoped that allowable growth would match the needs of public K-12 education.
- District budgeted enrollment for fiscal year 2007-2008 was 685 students. Under Iowa's school finance formula, funding is highly dependent upon enrollment. During the 2007-2008 school-year, Central Lyon students who open enroll out to other districts decreased by 2 student, from 80 to 78. Because Central Lyon is the resident district, the student is counted for state funding, but then funding is paid to the receiving district. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- Fiscal 2008 the District entered into a new three-year contract with the Central Lyon Education Teacher Association (CLTA). Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect of the District's General Fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jackie Wells, Board Secretary/Business Manager at the Central Lyon Community School District, 1105 S. Story St., Rock Rapids, IA 51246 or 712-472-2664.

BASIC FINANCIAL STATEMENTS

Central Lyon Community School District

Central Lyon Community School District
Statement of Net Assets
June 30, 2008

Exhibit A

	Governmental Activities	Business Type Activities	Totals
Assets			
Cash and cash equivalents:			
Other	\$ 2,916,248	\$ 56,050	\$ 2,972,298
Receivables:			
Property tax:			
Delinquent	32,596	-	32,596
Succeeding year	2,726,529	-	2,726,529
Local option sales taxes	152,859	-	152,859
Accounts	58,596	-	58,596
Accrued interest:			
Other	1,909	-	1,909
Inventories	-	35,064	35,064
Capital assets, net of accumulated depreciation	9,772,114	100,150	9,872,264
Total assets	15,660,851	191,264	15,852,115
Liabilities			
Accounts payable	47,736	742	48,478
Salaries and benefits payable	478,250	797	479,047
Accrued interest payable	7,699	-	7,699
Deferred revenue - succeeding year			
Property tax	2,726,529	-	2,726,529
Other	-	2,574	2,574
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	430,000	-	430,000
Note payable	21,387	-	21,387
Compensated absences	19,813	-	19,813
Portion due after one year:			
General obligation bonds payable	2,445,000	-	2,445,000
Early retirement	58,330	-	58,330
Total liabilities	\$ 6,234,744	\$ 4,113	\$ 6,238,857
Net assets			
Invested in capital assets, net of related debt	6,875,727	79,987	6,955,714
Restricted for:			
Management levy	48,463	-	48,463
Public education & recreation levy	22,681	-	22,681
Physical plant and equipment levy	108,322	-	108,322
Other special revenue purposes	153,126	-	153,126
Capital projects	729,121	-	729,121
Debt service	40,557	-	40,557
Unrestricted	1,448,110	107,164	1,555,274
Total net assets	\$ 9,426,107	\$ 187,151	\$ 9,613,258

See notes to financial statements

Central Lyon Community School District
Statement of Activities
June 30, 2008

	Program Revenues			
		Charges for	Operating Grants	Capital Grants
	Expenses	Service	Contributions and Restricted Interest	Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,043,033	\$ 67,320	\$ 376,564	\$ -
Special instruction	815,112	21,662	111,329	-
Other instruction	979,394	557,419	18,357	-
	4,837,539	646,401	506,250	-
Support services:				
Student services	115,327	-	13,411	-
Instructional staff services	227,946	-	-	-
Administration services	633,045	-	4,466	-
Operation and maintenance of plant services	510,862	37,004	-	-
Transportation services	227,147	-	30,720	-
	1,714,327	37,004	48,597	-
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	43,783	-	-	-
Long-term debt interest	97,588	-	1,821	31,813
AEA flow through	251,512	-	251,512	-
	392,883	-	253,333	31,813
Total governmental activities	6,944,749	683,405	808,180	31,813
Business type activities:				
Non-instructional programs:				
Food service and FFA operations	370,659	235,829	169,467	-
Total	\$ 7,315,408	\$ 919,234	\$ 977,647	\$ 31,813
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (2,599,149)	\$ -	\$ (2,599,149)
(682,121)	-	(682,121)
(403,618)	-	(403,618)
(3,684,888)	-	(3,684,888)
(101,916)	-	(101,916)
(227,946)	-	(227,946)
(628,579)	-	(628,579)
(473,858)	-	(473,858)
(196,427)	-	(196,427)
(1,628,726)	-	(1,628,726)
-	-	-
(43,783)	-	(43,783)
(63,954)	-	(63,954)
-	-	-
(107,737)	-	(107,737)
(5,421,351)	-	(5,421,351)
-	34,637	34,637
(5,421,351)	34,637	(5,386,714)
2,416,680	-	2,416,680
27,885	-	27,885
193,776	-	193,776
406,178	-	406,178
2,757,534	-	2,757,534
119,554	147	119,701
96,377	-	96,377
6,017,984	147	6,018,131
596,633	34,784	631,417
8,829,474	152,367	8,981,841
\$ 9,426,107	\$ 187,151	\$ 9,613,258

Central Lyon Community School District
Balance Sheet – Governmental Funds
June 30, 2008

Exhibit C

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Assets					
Cash and pooled investments:					
Other	\$ 1,875,794	\$ 49,481	\$ 575,653	\$ 415,320	\$ 2,916,248
Receivables:					
Property tax:					
Delinquent	27,934	389	-	4,273	32,596
Local option sales taxes	-	-	152,859	-	152,859
Accounts	58,596	-	-	-	58,596
Accrued interest:					
Other	-	-	1,635	274	1,909
Due from other funds	-	14	-	-	14
Total assets	<u>1,962,324</u>	<u>49,884</u>	<u>730,147</u>	<u>419,867</u>	<u>3,162,222</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	66,454	-	1,026	69	67,549
Salaries and benefits payable	449,374	-	-	28,876	478,250
Due to other funds	14	-	-	-	14
Total liabilities	<u>515,842</u>	<u>-</u>	<u>1,026</u>	<u>28,945</u>	<u>545,813</u>
Fund balances:					
Reserved for debt service	-	49,884	-	-	49,884
Unreserved	1,446,482	-	729,121	390,922	2,566,525
Total fund balances	<u>1,446,482</u>	<u>49,884</u>	<u>729,121</u>	<u>390,922</u>	<u>2,616,409</u>
Total liabilities and fund balances	<u>\$ 1,962,324</u>	<u>\$ 49,884</u>	<u>\$ 730,147</u>	<u>\$ 419,867</u>	<u>\$ 3,162,222</u>

See notes to financial statements.

Central Lyon Community School District
Reconciliation of the Balance Sheet – Governmental
Funds to the Statement of Net Assets
June 30, 2008

Total fund balances of governmental funds (page 20)	\$ 2,616,409
Amounts reported for governmental activities in the Statements of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	9,772,114
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(7,699)
Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,954,717)</u>
Net assets of governmental activities (page 17)	<u><u>\$ 9,426,107</u></u>

See notes to financial statements.

Central Lyon Community School District
Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
June 30, 2008

Exhibit E

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues:					
Local sources:					
Local tax	\$ 2,306,441	\$ 27,885	\$ 406,179	\$ 304,013	\$ 3,044,518
Tuition	67,869	-	-	-	67,869
Other	204,667	1,821	54,843	603,770	865,101
Intermediate sources	251,512	-	-	-	251,512
State sources	3,144,425	18	-	194	3,144,637
Federal sources	167,745	-	-	-	167,745
Total Revenues	6,142,659	29,724	461,022	907,977	7,541,382
Expenditures:					
Current:					
Instruction:					
Regular instruction	2,706,700	-	-	74,460	2,781,160
Special instruction	835,361	-	-	-	835,361
Other instruction	437,553	-	-	549,351	986,904
	3,979,614	-	-	623,811	4,603,425
Support services:					
Student services	116,078	-	-	-	116,078
Instructional staff services	216,151	-	-	-	216,151
Administration services	633,045	-	-	-	633,045
Operation and maintenance of plant services	444,425	-	-	88,897	533,322
Transportation services	211,196	-	73,922	-	285,118
	1,620,895	-	73,922	88,897	1,783,714
Non-instructional programs	-	-	-	-	-
Other expenditures:					
Facilities acquisition	-	-	136,364	79,916	216,280
Long-term debt interest	-	99,028	-	-	99,028
AEA flow through	251,512	-	-	-	251,512
	251,512	99,028	136,364	79,916	566,820
Total expenditures	5,852,021	99,028	210,286	792,624	6,953,959
Excess (deficiency) of revenues over (under) expenditures	290,638	(69,304)	250,736	115,353	587,423
Other financing sources (uses):					
Operating transfers in (out)	-	516,539	(384,485)	(132,054)	-
General obligation bonds	-	(445,368)	-	-	(445,368)
Total other financing sources (uses)	-	71,171	(384,485)	(132,054)	(445,368)
Net change in fund balances	290,638	1,867	(133,749)	(16,701)	142,055
Fund balances beginning of year	1,155,844	48,017	862,870	407,623	2,474,354
Fund balances end of year	\$ 1,446,482	\$ 49,884	\$ 729,121	\$ 390,922	\$ 2,616,409

See notes to financial statements.

Central Lyon Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances – Governmental Funds to the Statement of Activities
June 30, 2008

Exhibit F

Net change in fund balance - total governmental funds (page 22) **\$ 142,055**

**Amounts reported for governmental activities in the
Statement of Activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	394,204	
Depreciation expense	<u>(326,221)</u>	67,983

Proceeds from issuing long-term liabilities provided current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	-	
Repaid	<u>445,368</u>	445,368

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(58,330)	
Compensated absences	<u>(444)</u>	<u>(58,774)</u>

Change in net assets of governmental activities (page 19) **\$ 596,632**

Central Lyon Community School District
Statement of Net Assets - Proprietary Funds
June 30, 2008

Exhibit G

	School Nutrition	FFA Property	Enterprise Totals
Assets			
Cash and cash equivalents	\$ 50,155	\$ 5,895	\$ 56,050
Inventories	6,039	29,025	35,064
Capital assets, net of accumulated depreciation	100,150	-	100,150
Total assets	<u>156,344</u>	<u>34,920</u>	<u>191,264</u>
Liabilities			
Accounts payable	-	742	742
Deferred revenues	2,574	-	2,574
Salaries and benefits payable	797	-	797
Total Liabilities	<u>3,371</u>	<u>742</u>	<u>4,113</u>
Net Assets			
Invested in capital assets, net of related debt	79,987	-	79,987
Unrestricted	72,986	34,178	107,164
Total net assets	<u>\$ 152,973</u>	<u>\$ 34,178</u>	<u>\$ 187,151</u>

See notes to financial statements.

Central Lyon Community School District
Statement of Revenues, Expenditures and Changes in Fund Net Assets -Proprietary Funds
June 30, 2008

Exhibit H

	School Nutrition	FFA Property	Enterprise Totals
Operating revenues:			
Local sources:			
Charges for service	\$ 185,775	\$ 50,054	\$ 235,829
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	106,854	-	106,854
Benefits	14,184	-	14,184
Purchased services	8,647	-	8,647
Supplies	207,134	30,511	237,645
Depreciation	3,329	-	3,329
Total operating expenses	340,148	30,511	370,659
Operating (loss) Income	(154,373)	19,543	(134,830)
Non-operating revenues:			
State sources	3,584	-	3,584
Federal sources	165,883	-	165,883
Interest income	147	-	147
Total non-operating revenues	169,614	-	169,614
Change in net assets	15,241	19,543	34,784
Net assets beginning of year	137,732	14,635	152,367
Net assets end of year	\$ 152,973	\$ 34,178	\$ 187,151

See notes to financial statements

Central Lyon Community School District
Statement of Cash Flows - Proprietary Funds
June 30, 2008

Exhibit I

	School Nutrition	FFA Property	Enterprise Totals
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 184,567	\$ -	\$ 184,567
Cash received from miscellaneous services	-	50,054	50,054
Cash paid to employees for services	(122,150)	-	(122,150)
Cash paid to suppliers for goods or services	(195,863)	(45,790)	(241,653)
Net cash used by operating activities	(133,446)	4,264	(129,182)
Cash flows from non-capital financing activities:			
State grants received	3,584	-	3,584
Federal grants received	145,941	-	145,941
Miscellaneous revenue	-	-	-
Net cash provided by non-capital financing activities	149,525	-	149,525
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(2,890)	-	(2,890)
Net cash used by capital and related financing activities	(2,890)	-	(2,890)
Cash flows from investing activities:			
Interest on investments	147	-	147
Net increase (decrease) in cash and cash equivalents	13,336	4,264	17,600
Cash and cash equivalents beginning of year	36,819	1,631	38,450
Cash and cash equivalents end of year	\$ 50,155	\$ 5,895	\$ 56,050
Reconciliation of operating loss to net cash used by operating activities			
Operating (loss) income	\$ (154,373)	\$ 19,543	\$ (134,830)
Adjustments to reconcile operating (loss) income to net cash used by operating activities			
Commodities used	19,942	-	19,942
Depreciation	3,329	-	3,329
(Increase) decrease in inventories	452	(15,543)	(15,091)
Increase (decrease) in accounts payable	(476)	264	(212)
Increase in deferred revenue	(1,208)	-	(1,208)
Increase in salaries and benefits payable	(1,112)	-	(1,112)
(Decrease) in due to other governments	-	-	-
Net cash used by operating activities	\$ (133,446)	\$ 4,264	\$ (129,182)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$19,942 of federal commodities

See notes to financial statements.

Central Lyon Community School District
Notes to Financial Statements
June 30, 2008

(1) Summary of Significant Accounting Policies

The Central Lyon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Rock Rapids and Doon, Iowa, and the predominant agricultural territory in central Lyon County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Central Lyon Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Central Lyon Community School District has no component units, which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely, to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the

Central Lyon Community School District
Notes to Financial Statements
June 30, 2008

operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District. The other proprietary fund is the FFA Property Fund which is used to account for the FFA cattle raising operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Central Lyon Community School District
Notes to Financial Statements
June 30, 2008

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum-adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking, is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for

Central Lyon Community School District
Notes to Financial Statements
June 30, 2008

delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital Assets are depreciated using the straight-line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (in Years)
Buildings	50 years
Improvements other than buildings	20 - 50 years
Furniture and equipment:	5 - 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Central Lyon Community School District
Notes to Financial Statements
June 30, 2008

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements in the other expenditures functional area exceeded the amounts budgeted but the District did not exceed its General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$1,728,003</u>

Central Lyon Community School District
Notes to Financial Statements
June 30, 2008

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – the District’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk – the investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody’s Investors Service.

(3) Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five. The application for early retirement is subject to approval by the Board of Education by February 1 of the applicable year.

Early retirement benefits are equal to the difference between the base salary and the total individual regular contract salary for the year the application is submitted.

Early retirement benefits may be paid in one lump sum on July 20 or may be used by the district to pay the retiring employee’s cost of medical and/or dental insurance until the benefit is exhausted. At the time of application for early retirement benefits, the retiring employee must choose which method of payment is to be used.

At June 30, 2008, the District has obligations to six participants with a total liability of \$87,206. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$12,616. The following is the maturities of the liability:

Year Ending June 30,	Amount
2009	\$28,875.60
2010	23,915.60
2011	16,695.58
2012	13,833.00
2013	3,886.00
Totals	<u>\$87,205.78</u>

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from:	Amount
Debt Service	Local Option Sales	\$ 384,485
	Physical Plant and Equipment Levy	132,054
		<u>\$ 516,539</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Central Lyon Community School District
Notes to Financial Statements
June 30, 2008

(5) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service	General	<u>\$ 14</u>

The District received a refund from Bankers Trust and was deposited into the General fund instead of Debt Service Fund. This was not discovered until after the year end, it will be transferred to Debt Service by June 30, 2009.

6) Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 51,000	\$ -	\$ -	\$ 51,000
Total capital assets not being depreciated	<u>51,000</u>	<u>-</u>	<u>-</u>	<u>51,000</u>
Capital assets being depreciated:				
Buildings	12,074,780	11,568	-	12,086,348
Improvements other than buildings	627,651	141,800	131,312	638,139
Furniture and equipment	1,779,387	240,836	35,735	1,984,488
Total capital assets being depreciated	<u>14,481,818</u>	<u>394,204</u>	<u>167,047</u>	<u>14,708,975</u>
Less accumulated depreciation for:				
Buildings	3,652,590	243,479	-	3,896,069
Improvements other than buildings	359,387	24,023	114,898	268,512
Furniture and equipment	809,026	58,719	44,465	823,280
Total accumulated depreciation	<u>4,821,003</u>	<u>326,221</u>	<u>159,363</u>	<u>4,987,861</u>
Total capital assets being depreciated, net	<u>9,660,815</u>	<u>67,983</u>	<u>7,684</u>	<u>9,721,114</u>
Governmental activities capital assets, net	<u>\$ 9,711,815</u>	<u>\$ 67,983</u>	<u>\$ 7,684</u>	<u>\$ 9,772,114</u>

Central Lyon Community School District
Notes to Financial Statements
June 30, 2008

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 166,766	\$ 2,891	\$ -	\$ 169,657
less accumulated depreciation	66,178	3,329	-	69,507
Business type activities capital assets, net	<u>\$ 100,588</u>	<u>\$ (438)</u>	<u>\$ -</u>	<u>\$ 100,150</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 272,994

Support services:

Instructional staff 27,199

Operation and maintenance of plant 2,713

Transportation 23,315

326,221

Unallocated -

Total depreciation expense - governmental activities \$ 326,221

Business type activities:

Food service operations \$ 3,329

(7) Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2008, is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$2,725,000	\$ -	\$ 335,000	\$ 2,390,000	\$ 340,000
Capital Notes	575,000	-	90,000	485,000	90,000
Lease Payable	41,755	-	20,368	21,387	21,387
Early Retirement	21,656	78,166	12,616	87,206	28,876
Compensated Absences	18,185	1,628	-	19,813	19,813
Total	<u>\$3,381,596</u>	<u>\$ 79,794</u>	<u>\$ 457,984</u>	<u>\$ 3,003,406</u>	<u>\$ 500,076</u>

Details of the District's June 30, 2008, general obligation bonded and capital lease indebtedness are as follows:

Central Lyon Community School District
Notes to Financial Statements
June 30, 2008

Year Ending June 30,	Bond Issue of July 1, 2003			Capital Loan Notes Sept. 15, 2003		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2009	2.750%	\$ 340,000	\$ 68,568	2.950%	\$ 90,000	\$ 16,858
2010	2.850%	350,000	59,218	3.250%	95,000	14,203
2011	2.875%	360,000	49,242	3.550%	95,000	11,114
2012	2.875%	375,000	38,893	3.700%	100,000	7,743
2013	2.875%	375,000	28,110	3.850%	105,000	4,042
2014	2.900%	370,000	17,330		-	-
2015	3.000%	220,000	6,600		-	-
Total		<u>\$2,390,000</u>	<u>\$267,961</u>		<u>\$485,000</u>	<u>\$53,960</u>

Year Ending June 30,	Bus Lease			Bonds & Lease Totals		
	Interest Rate	Principal	Interest	Principal	Interest	Total
2009	5.000%	\$ 21,387	\$ 1,069	\$ 451,387	\$ 86,495	\$ 537,882
2010		-	-	445,000	73,421	518,421
2011		-	-	455,000	60,356	515,356
2012		-	-	475,000	46,636	521,636
2013		-	-	480,000	32,152	512,152
2014		-	-	370,000	17,330	387,330
2015		-	-	220,000	6,600	226,600
Total		<u>\$ 21,387</u>	<u>\$ 1,069</u>	<u>\$ 2,896,387</u>	<u>\$ 322,990</u>	<u>\$3,219,377</u>

The District entered into to a lease purchase agreement for a 2008 International bus on October 9, 2006. Initial payment of \$25,000 was made on December 15, 2006, with annual payments of \$22,456 required until December 15, 2008 with the interest rate of 5%.

During the year ended June 30, 2008, the District made principal and interest payments totaling \$543,596 under the agreements.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute, to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$221,506, \$197,218 and \$193,220 respectively, equal to the required contributions for each year.

(9) Risk Management

Central Lyon Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled

Central Lyon Community School District
Notes to Financial Statements
June 30, 2008

claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$251,512 for the year ended June 30, 2008, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Operating Lease Agreement

The District entered into a three-year operating lease agreement for three copiers on October 17, 2007. Payments are made monthly of \$1,122.19 and will end September 17, 2011 with total payments in the current year of \$10,082. The following is a schedule of future minimum rental payments required under the above operating lease as of June 30, 2008:

Year ending June 30,	Amount
2009	\$13,446
2010	13,466
2011	3,367
Total	<u>\$30,259</u>

**Central Lyon Community School District
Required Supplementary Information**

Central Lyon Community School District
 Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
 Budget and Actual - All Governmental Funds and Proprietary Fund
 Required Supplementary Information
 Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Revenues:			
Local sources	\$ 3,977,488	\$ 235,976	\$ 4,213,464
Intermediate sources	-	-	-
State sources	3,396,149	3,584	3,399,733
Federal sources	167,745	165,883	333,628
Total revenues	<u>7,541,382</u>	<u>405,443</u>	<u>7,946,825</u>
Expenditures:			
Instruction	4,603,425	-	4,603,425
Support services	1,783,714	-	1,783,714
Non-instructional programs	-	370,659	370,659
Other expenditures	1,012,188	-	1,012,188
Total expenditures	<u>7,399,327</u>	<u>370,659</u>	<u>7,769,986</u>
Excess of revenues under expenditures	<u>142,055</u>	<u>34,784</u>	<u>176,839</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	142,055	34,784	176,839
Balances beginning of year	<u>2,474,354</u>	<u>152,367</u>	<u>2,626,721</u>
Balances end of year	<u>\$ 2,616,409</u>	<u>\$ 187,151</u>	<u>\$ 2,803,560</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual	
Original	Final	Variance	
\$ 3,923,903	\$ 3,923,903	\$ 289,561	
-	-	-	
3,351,621	3,351,621	48,112	
366,000	366,000	(32,372)	
7,641,524	7,641,524	305,301	
4,978,560	4,978,560	(375,135)	
2,062,258	2,062,258	(278,544)	
348,432	348,432	22,227	
804,135	804,135	208,053	
8,193,385	8,193,385	(423,399)	
(551,861)	(551,861)	728,700	
(551,861)	(551,861)	728,700	
2,023,749	2,023,749	602,972	
\$ 1,471,888	\$ 1,471,888	\$ 1,331,672	

Central Lyon Community School District
Notes to Required Supplementary Information – Budgetary Reporting
Year ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, disbursements in the non-instructional programs and other expenditures functions exceeded the amounts budgeted but the District did not exceed its General Fund unspent authorized budget.

Central Lyon Community School District
Other Supplementary Information

Central Lyon Community School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

Schedule 1

	Special Revenue Funds				Total
	Management Levy	Student Activity	Public Education & Recreation Levy	Physical Plant and Equipment Levy	
Assets					
Cash and cash equivalents:					
Other	\$ 134,103	\$ 152,852	\$ 22,359	\$ 106,006	\$ 415,320
Receivables:					
Property tax:					
Delinquent	1,566	-	322	2,385	4,273
Accrued interest	-	274	-	-	274
Total assets	135,669	153,126	22,681	108,391	419,867
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	-	-	-	69	69
Salaries and benefits payable	28,876	-	-	-	28,876
Total liabilities	28,876	-	-	69	28,945
Fund equity:					
Unreserved fund balances	106,793	153,126	22,681	108,322	390,922
Total liabilities and fund balances	\$ 135,669	\$ 153,126	\$ 22,681	\$ 108,391	\$ 419,867

See accompanying independent auditor's report.

Central Lyon Community School District
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor governmental Funds
June 30, 2008

Schedule 2

	Special Revenue Funds				
	Management Levy	Student Activity	Public Education & Recreation Levy	Physical Plant and Equipment Levy	Total
Revenues:					
Local sources:					
Local tax	\$ 110,238	\$ -	\$ 22,666	\$ 171,109	\$ 304,013
Other	12,816	554,958	-	35,996	603,770
State sources	71	-	15	108	194
Total revenues	<u>123,125</u>	<u>554,958</u>	<u>22,681</u>	<u>207,213</u>	<u>907,977</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	25,829	-	-	48,631	74,460
Other instruction	-	549,351	-	-	549,351
Support services:					
Operation and maintenance of plant services	83,246	-	-	5,651	88,897
Other expenditures:					
Facilities acquisition	-	-	-	79,916	79,916
Total expenditures	<u>109,075</u>	<u>549,351</u>	<u>-</u>	<u>134,198</u>	<u>792,624</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,050</u>	<u>5,607</u>	<u>22,681</u>	<u>73,015</u>	<u>115,353</u>
Other financing sources (uses):					
Operating transfers out	-	-	-	(132,054)	(132,054)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(132,054)</u>	<u>(132,054)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>14,050</u>	<u>5,607</u>	<u>22,681</u>	<u>(59,039)</u>	<u>(16,701)</u>
Fund balances beginning of year	92,743	147,519	-	167,361	407,623
Fund balances end of year	<u>\$ 106,793</u>	<u>\$ 153,126</u>	<u>\$ 22,681</u>	<u>\$ 108,322</u>	<u>\$ 390,922</u>

See accompanying independent auditor's report.

Central Lyon Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
June 30, 2008

Schedule 3

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Interest Income	\$ 14,624	\$ 12,037	\$ 14,384	\$ 12,277
All School Play	1,828	823	354	2,297
Speech	99	955	1,054	-
Vocal	391	584	454	521
Band	46	1,486	1,532	-
Historical Plaza	401	630	265	766
Spanish Mexico Trip	1,857	11,967	12,021	1,803
Co-Ed Track	1,002	9,946	10,508	440
Co-Ed Golf	1,702	673	2,142	233
Boys' Basketball	7,132	9,234	7,562	8,804
Boys' Basketball - Summer	1,421	4,369	4,771	1,019
Football	6,294	54,008	55,902	4,400
Baseball	2,281	4,417	6,239	459
Baseball Trip	588	1,560	830	1,318
Wrestling	1,702	11,625	12,697	630
Wrestling Projects Camp	2,096	9,598	8,349	3,345
Girls' Basketball	3,931	7,570	7,350	4,151
Girls' Basketball - Summer	3,169	2,739	3,390	2,518
Volleyball	3,115	3,525	3,228	3,412
Softball	1,400	48	525	923
Field Trips	279	854	741	392
Pictures-Elementary & MS	2,066	2,721	2,994	1,793
Ticket/Cash Reserve	513	3,235	3,235	513
Book Orders	307	3,952	3,793	466
PCT Account	200	-	127	73
Middle School	85	-	49	36
Donations	1,106	624	622	1,108
Milk Machine HS	619	1,283	1,140	762
Activity Tickets	25	54,628	54,628	25
Adult Activity Tickets	-	3,310	3,310	-
Lion's Roar	8,627	11,832	6,856	13,603
Pictures-HS	1,303	537	659	1,181
National Honor Society	192	302	494	-
Middle School Cheerleaders	307	-	-	307
Student Council Scholarship	500	-	250	250
Breske Memorial	102	-	-	102
Pep Club	1,442	3,002	2,414	2,030
Activity Fund Reimbursement	24	-	-	24
D A R E Program	100	-	-	100
Musical	738	2,477	2,904	311
Haan Craft/Family Con. Science	30	520	527	23
Class of 2008	268	-	236	32
Class of 2009	1,901	2,964	4,211	654
Class of 2010	-	1,931	-	1,931
FFA	1,161	90,883	88,180	3,864
Student Council	2,724	2,562	3,535	1,751

Central Lyon Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
June 30, 2008

Schedule 3

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Scholarship	250	-	250	-
Middle School Student Council	1,341	7,995	6,898	2,438
Concessions	3,529	4,366	4,302	3,593
International Club	500	164	400	264
Testing Services	-	520	511	9
Magazines	4,244	12,842	17,086	-
Laura Ingalls Wilder Trip	59	137	127	69
Band Trip	6,220	32,735	35,047	3,908
Title I	500	300	102	698
All Sport Supplies	4,266	6,639	9,420	1,485
Volleyball Project	4,272	2,142	3,091	3,323
After Graduation Party	711	2,816	2,714	813
Cross Country Ski	163	5	-	168
Book Fair	3,946	6,025	6,050	3,921
Academic Decathlon	127	320	320	127
EL-MS Fundraiser	8,229	10,274	7,347	11,156
Mock Trial - HS	1	816	816	1
Mock Trial - IAG MS	195	-	-	195
Football Project	5,376	10,970	13,364	2,982
Athletic Union Clinic	2,164	2,133	2,591	1,706
Booster Concessions	2,500	39,328	37,563	4,265
Music Booster	8,001	7,097	7,092	8,006
Athletic Booster	5,125	40,612	32,392	13,345
RAGBRAI	-	5,484	5,484	-
HS Pop Machine	-	3,987	2,624	1,363
Weight Room Fund	-	200	-	200
EL/MS Teachers Lounge	1,227	-	160	1,067
EL/MS Care Committee	1,252	450	478	1,224
HS Care Committee	188	465	420	233
HS Teachers Lounge	52	-	-	52
Lion Grant - CL Foundation	3,383	20,725	18,240	5,868
Totals	\$ 147,519	\$ 554,958	\$ 549,351	\$ 153,126

See accompanying independent auditor's report.

Central Lyon Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Four Years

Schedule 4

		Modified Accrual Basis			
		2008	2007	2006	2005
Revenues:					
Local sources:					
Local tax	\$ 3,044,518	\$ 3,172,532	\$ 2,820,372	\$ 2,882,019	
Tuition	67,869	75,068	61,414	45,744	
Other	865,101	871,648	728,559	733,323	
Intermediate sources	251,512	239,138	221,103	213,226	
State sources	3,144,637	2,963,719	2,736,897	2,609,205	
Federal sources	167,745	175,968	252,788	218,516	
Total	<u>\$ 7,541,382</u>	<u>\$ 7,498,073</u>	<u>\$ 6,821,133</u>	<u>\$ 6,702,033</u>	
Expenditures:					
Instruction:					
Regular instruction	2,781,160	2,449,678	2,320,020	2,285,783	
Special instruction	835,361	749,445	781,642	796,275	
Other instruction	986,904	985,118	889,989	881,045	
Support services:					
Student services	116,078	112,575	121,286	114,945	
Instructional staff services	216,151	181,289	186,607	199,852	
Administration services	633,045	641,516	669,738	571,298	
Operation and maintenance of plant services	533,322	514,587	532,040	534,986	
Transportation services	285,118	242,262	176,692	162,149	
Central support services	-	-	-	1,195	
Other expenditures:					
Facilities acquisition	216,280	37,062	91,995	-	
Long-term debt interest	99,028	106,853	194,979	294,571	
AEA flow through	251,512	239,138	221,103	213,226	
Total	<u>\$ 6,953,959</u>	<u>\$ 6,259,523</u>	<u>\$ 6,186,091</u>	<u>\$ 6,055,325</u>	

See accompanying independent auditor's report

Central Lyon Community School District

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Board of Education of
Central Lyon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Central Lyon Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 24, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Central Lyon Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Central Lyon Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Central Lyon Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Central Lyon Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Central Lyon Community School District's financial statements that is more than inconsequential will not be prevented or detected by Central Lyon Community School District's internal control. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Lyon Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all

significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiency described above, we believe it is also a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Central Lyon Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit is based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Central Lyon Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Central Lyon Community School District's responses and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Central Lyon Community School District and other parties to whom Central Lyon Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Central Lyon Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

East, Vander Woude, Grant & Co., P.C.

East, Vander Woude, Grant & Co., P.C.

November 24, 2008

Central Lyon Community School District
Schedule of Findings
Year ended June 30, 2008

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- 1-08-A Auditor drafting of the financial statements and related footnote disclosures. As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. During 2006, a new auditing standard from the American Institute of Certified Public Accountants, SAS 112, became effective. This statement requires auditors to communicate this situation to the state as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this new auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation – It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – We are aware of the risk associated with not preparing our financial statements, but believe our review of the financial statements to be adequate to reduce this risk.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Central Lyon Community School District
Schedule of Findings
Year ended June 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-08-A Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted
- II-08-B Certified Budget - Disbursements for the year ended June 30, 2008, exceeded the amount budgeted in the non-instructional programs and other expenditures functions.
Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.
Response – We will amend our budget before disbursements exceed the budget.
Conclusion – Response accepted.
- II-08-C Questionable Expenditures - No expenditures were noted that might not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-08-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-08-E Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. Coverage amounts should be reviewed annually to insure adequacy for current operations.
- II-08-F Board Minutes - No transactions requiring Board approval, which had not been approved by the Board, were noted.
- II-08-G Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-08-H Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-08-I Deficit Balances -- There were no funds with a deficit balance at June 30, 2008.
- II-08-J Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Central Lyon Community School District
Schedule of Findings
Year ended June 30, 2008

Name, Title and Business Connection	Transaction Description	Amount
Ken Kuehl, Employee	Electrical work	\$ 6,610
Steve Wells, Spouse of District Employee Premier Bank employee	Banking relationship	\$500,000
Jim Kennedy, Spouse of District Employee, Frontier Insurance & Real Estate	Insurance	\$ 81,429
David Fields, Employee, Rapid Grow Lawn	Maintenance of Grounds	\$10,691
Harlan Clasen, Spouse of District Employee, Clasen Excavating	Snow Removal	\$13,384
Steve Sieperda, Board President, Frontier Bank employee	Banking relationship	\$2,000,000
Patrick McCarty, Board Member	FFA Farm purchase	\$1,100
Chad Geerdes, Brother of District Employee US Bank employee	Banking relationship	\$150,000
Mark McCarty, Employee McCarty Repair	Vehicle Repair Service	\$5,928

In accordance with an Attorney General's opinion dated November 9, 1996, the transactions with the above persons were subjected to competitive bidding processes.